WHAT IMPACT HAS THE HOWARD GOVERNMENT HAD ON WAGES AND HOURS OF WORK?

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When the *Workplace Relations and Other Amendments Act 1996* (WRA) was introduced, John Howard and Peter Reith boldly proclaimed a new era for industrial relations and wage fixation. The new legislative framework would lead to greater productivity and flexibility while ensuring 'no worker would be worse off'. Now, a couple of years after the introduction of the WRA, it is possible to make a preliminary assessment of the WRA's impact on the wages and hours of wage and salary earners.

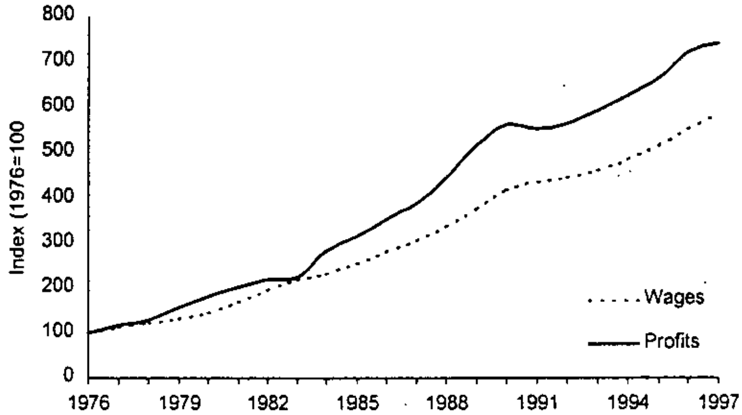
Aggregate indicators on wages and hours reveal few, if any, significant effects to date. However, the stability of aggregate data belies the profound changes occurring within the labour market. During the 1990s, there have been three basic mechanisms of wages determination (awards, collective agreements and individual contracts) with a fourth type of employment arrangement (contractors) now growing rapidly. Within and between each of these four segments, disaggregated indicators reveal a major polarisation between what Barry Hughes (1973) once described as 'the wages of the strong and the weak.' New categories are necessary to accurately capture the realities of wage setting today. To accommodate the rapid fragmentation of the labour market and wage polarisation which has occurred since the early 1990's, the article outlines a new framework for analysing earnings growth.

In many ways, there are major continuities between legal reforms and labour market trends under the WRA and the Labor government's *Industrial Relations Reform Act 1993*. However, as the WRA contains a raft of provisions designed to increase managerial prerogatives and individualise the employment relationship, it is likely to exacerbate the trend towards fragmentation and inequality with adverse efficiency and equity consequences.

Trends in Wages and Hours: Aggregate Indicators

When analysing how industrial relations policy affects wages and hours of work, it is useful to begin by considering indicators of aggregate trends. Factor shares, aggregate indicators of earnings growth (average weekly ordinary time earnings (AWOTE); the wage cost index (WCI)) and key trends in working hours (average hours of work for full-time workers; levels of unpaid overtime) are considered to gauge the impact of the *Workplace Relations Act* across the labour market.

Figure 1: Wages and Profits as Components of GDP, 1976–97

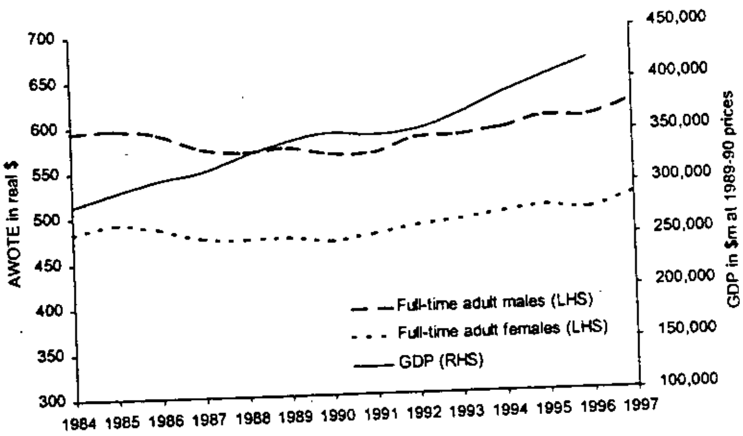


Source: Compiled from ABS (1998a).

Note: Each year in the graph indicates the financial year ending in that year. Wages are defined as 'Wages salaries and supplements' and profits as 'Gross operating surplus of private trading enterprises'.

Figure 1 summarises the most fundamental of all indicators - factor shares. As shown here, these were quite volatile in the 1970s and early 1980s. Under the Accord, there was a marked shift from wages, salaries and supplements to profits. Since the early 1990s, this trend has been halted and even reversed marginally in recent years. *Prima facie*, it appears workers have slightly increased their slice of gross domestic product since the election of the Howard Government. Developments in real average weekly ordinary time earnings (AWOTE) for full-time adult persons are shown in Figure 2.

Figure 2: Stagnation in Earnings: Average Weekly Ordinary Time Earnings and GDP, 1984-97



Source: Compiled from ABS (1978-1998).

This figure shows the stagnation of wage growth under the Accord and the acceleration of wage growth since the election of the Howard government. The post-Accord wage growth has also been accompanied by falling inflation. Once again, workers appear to have fared well under the Howard government.

The ABS has established a new Wage Cost Index (WCI). Large fluctuations in AWOTE growth from year to year at industry level led to questions about its reliability. The WCI, much like the consumer price index, follows changes in hourly wage and salary rates for a 'representative basket' of jobs over time. In this way, it removes the effects of shifts in industry/occupational location of employees and changes in organisations sampled at different times. Between September 1997 and 1998, the WCI increased 3.3%. Again, as the consumer price index increased 1.3% over this period, the new index shows real wage growth (ABS 1998b, 1998c).

It has long been recognised that, on average, male employees earn more than their female counterparts. Whereas the gender differential increased under the enterprise bargaining phase of the Accord, the situation has improved slightly since the Howard Government came to power. These figures suffer from the same problems noted earlier but, *prima facie*, gender wage equity appears to have marginally improved under this Government.

Another issue of major importance to living standards is working hours. Movements in pay need to be considered in the light of changes to the pattern of working time arrangements. Data from the ABS released in 1993 and 1997 on the level of unpaid overtime is provided in Table 1:

Table 1: 'Unpaid' Overtime: Employees who Regularly Work Overtime in their Main Job, August 1993 and 1997

Gender	1993 (% working overtime)	1997 (% working overtime)
Males		
Full Time	49.9	53.2
All Employees	49.5	52.7
Females		
Full Time	62.5	69.7
All Employees	61.4	67.2
Total		
Full Time	53.5	58.0
All Employees	53.4	57.5

Source: ABS (1993 & 1997). Population: Those employees reporting they worked overtime hours. Note: in 1993 there was a catch-all category of 'unpaid' overtime. In 1997 there were two categories: 'unpaid' and 'covered in salary'

Average hours worked by full-time employees have increased but the incidence of paid overtime has declined in recent years. *Prima facie*, levels of unpaid overtime appear to have increased, especially for women. However, it is important to note that the 1997 data groups together those working unpaid overtime with those working extra hours covered by their salary package. With this qualification in mind, the best way of interpreting this data is that there has probably been no fall in levels of unpaid overtime hours worked in recent years.

In summary, real wages have increased; gender wage equity has, if anything, improved slightly; hours of work have lengthened for full-timers but it is difficult to make conclusive statements about the level of unpaid overtime. Aggregate level trends seem to indicate that the lot of workers has improved under the Howard government.

Behind the Aggregates: Growing Fragmentation and Inequality

Aggregate level data only capture trend-averages. As such, they only tell part of the story – an increasingly small part of the story as wage-setting regulations and the labour market fragments. Different labour market segments are now covered by different regulatory mechanisms, and wage movements between and within these segments are diversifying rapidly. A look behind the aggregates reveals a polarisation between 'winners' and 'losers'.

Current wage movements in Australia come from three principal sources: awards, collective agreements negotiated at enterprise or workplace level, and individual contracts. Precise data on the proportion of the workforce covered by each form of wage determination is hard to obtain. However, it appears that approximately a third of the workforce falls within each category. Table 2 summarises the best available information and includes estimates of the average wage increase enjoyed by employees in each segment.

Table 2: Mechanisms for Regulating Wages and Estimates of Average Wage Movements in 1996

Form of labour market regulation	Employees (%)	Estimated Average Annual Wage Increase (%)
Awards only	35	1.3
Awards and Registered Enterprise Agreements	30	4 - 6
Registered Enterprise Agreements	5	4 - 6
Individual Contracts	30	0 - 8

Sources: Estimates have been obtained by splicing together information obtained from a number of sources. The last ABS estimate of award coverage was provided in *Award Coverage*, Australia, Cat No 6315 in 1990. We have assumed that the secular decline in award coverage that has been evident for some time, and which accelerated between 1985 and 1990, has continued placing award coverage at around 75 per cent of employees. Estimates for employee coverage of registered enterprise agreements have been obtained from the Commonwealth Department of Industrial Relations (1996) by combining data from pp. 23, 143, 148. The proportion reliant on awards is obtained from an estimate of those who received a safety net adjustment in 1995 reported in the same DIR Report at p147 combined with the residual of those estimated to be covered by awards. Those covered by individual contracts is by definition of the residual of all of the above. Estimates of average annual wage increases have been derived from the following sources: ABS (various); *Award Rates of Pay Indexes*, Cat No 6312.0; ACIRRT's Agreements Database And Monitor (ADAM) for enterprise agreements; Cullen, Egan Dell for estimates of executive remuneration for the upper range; and ACIRRT (1996a) pp 18-19 for non-managerial individual contracts.

No reliable information is currently available on average wage movements for workers covered by individual contracts but it is estimated to be in the range of 0-8 per cent.

Employees who are completely dependent on awards have enjoyed only modest wage increases - about 1.3 per cent of average weekly ordinary time earnings a year between 1991-1996. The 1997 living wage case awarded \$10 to full-time adult workers, fully absorbable against over-award payments (AIRC 1997). In the 1998 living wage case, workers earning \$550 per week or less were given a \$14 per week increase, workers on between \$550-\$700 per week a \$12 per week increase and those on award rates in excess of \$700 received a \$10 per week increase (AIRC 1998).

On average, wage increases arising from enterprise agreements ranged from 4 to 6 per cent between 1993-1996. Although average annual wage increases for enterprise agreements have fallen from 5.7 per cent (1996) to 4.8 per cent (1997) and just over 4 per cent during the first three quarters of 1998 (ACIRRT 1998), inflation fell to negligible levels over the same period.

Within the collective agreements sector, there are also large variations in wage outcomes.

Table 3: High and Low Average Annual Wage Increases (AAWI) in Current Operative Agreements, by Industry

Industry	Highest AAWI (%)	Lowest AAWI (%)
Mining/Construction	24.0	0.7
Food, Beverage & Tobacco Manufacturing	10.4	1.0
Metal Manufacturing	24.0	0.7
Other Manufacturing	15.0	0.6
Electricity, Gas & Water	15.0	1.0
Wholesale/Retail Trade	10.9	1.1
Transport/Storage	15.0	1.0
Financial Services	22.5	0.7
Public Administration	9.6	0.3
Community Services	22.0	0.7
Recreational & Personal Services	6.0	0.3

Source: ACIRRT (1999)

All industries exhibited a large range of wage increases but the biggest variations were found in mining/construction, metal manufacturing, financial services and community services.

In general, an increasingly large gap is opening up between wages for workers covered by awards and enterprise agreements and also between workers within the collective agreements sector.

A Case Study of Fragmentation in the Wages System: Recent Developments in Metal Manufacturing

A case study of wage developments in the pivotal metal manufacturing sector is used to illustrate the fragmentation of wage determination in more depth and to explore the inter- and intra-occupational shifts. Metal manufacturing is a good industry to test the effects of changes to the institutional framework because the existence of strong unions with a tradition of over-award bargaining might have been expected to act as a counter to fragmentation. The analysis of changes to award wages and the effect of enterprise bargaining shows major and rapid fragmentation.

Since 1991, there have been four major rounds of bargaining:

- In December 1991, a 'framework' agreement for enterprise bargaining was settled between the Metal Trades Industry Association (MTIA) and the Metal Trades Federation of Unions (MTFU). A wage ceiling of 4.5% was set and a 'broad agenda' for issues to be negotiated at enterprise level was outlined to promote international competitiveness as well as more satisfying and better paid jobs. Agreements settled under this framework were registered from late 1991 throughout 1992 and into early 1993. Many of these agreements expired on 30 June 1993.
- The industry framework was not re-negotiated but much of the bargaining was based on the MTFU claim for 6% over two years. The unions, especially the Australian Manufacturing Workers Union (AMWU), aggressively pursued a 'no trade-offs' agenda through this round. Many of these agreements expired in June 1995.[1]
- During 1995, the MTFU launched a campaign for 4 per cent over 12 months that evolved into 6 per cent during the course of the year. Employers countered by offering 8 per cent over two years and

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1 A summary of key metal developments for this bargaining round is provided in Short & Buchanan (1995).

many settlements came in between 8 and 10 per cent over two years.[2]

- In late 1996, the MTFU launched a campaign for 15% over 2 years. However, wage settlements have continued to cluster around 8-10% over 2 years.

As time has passed, wage bargaining in the metal industry has become less synchronised, although unions are now trying to counter this by negotiating common expiry dates for agreements. The cumulative impact of the 'typical' wage outcomes associated with enterprise bargaining has been in the order of 26.5 and 30.5 per cent since 1991. Approximately half of metal manufacturing employees are covered by some kind of enterprise agreement.[3]

Table 4: Wage levels in May 1995 and Average Wage Movements for Highly Disaggregated Occupational Groupings: 1986 - 1995.

	Wage Level 1995 (ordinary time hourly earnings)	Change 1986 - 1995
Male Fitters and Machinists	$16.63	61.2%
Male Trades Assistants and Factory Hands	$12.89	54.1%
Female Trades Assistants and Factory Hands	$11.00	53.6%

Source: ABS (1986–95). This data was originally reported in Buchanan and Watson (1997).

Workers relying on safety net adjustments (SNA's) have only had a $48 increase since 1991. This is the equivalent of 9.0 per cent of the fitters/C10 rate prevailing in 1991. Data on the portion of workers totally reliant on SNA's is virtually non-existent. Of the remainder, some have probably received informal wage rises through increased overaward payments. We cannot necessarily assume that those without agreements have only received SNA's. To ascertain what wage outcomes have been

2 Further details on the metal round of that year are provided in Pragnell *et. al.* (1996).

3 This estimate was obtained from unpublished material described in ACIRRT (1996b).

associated with these shifts in wages policy, it is necessary to examine time series data on wages in the metals sector over the last decade.

The first notable change over the past decade has been increasing pay differentials between skilled and unskilled workers. Table 4 reports on movements for three key occupations in metal and engineering: male fitters and machinists, and male and female trades assistants and factory hands. Rates for the more highly skilled trades level workers increased by 61.2 per cent between 1986 – 1995 whereas the less skilled received more modest increases of around 54 per cent. As the wages system has become more decentralised, more highly skilled workers have, on average, done better than their less skilled counterparts.

Even within occupations, wage movements have not been uniform. Table 5 reports average wage movements for three different occupational groups within manufacturing over the period 1986 to 1995 - male trades level workers, male labourers and female labourers (the latter groups being primarily trades assistants and factory hands). In addition to isolating distinct industry and occupation groups, this table also highlights the differences in rates and movements in pay for the bottom and top quartiles. It is thus possible to ascertain how wages moved for the best and worst paid for each of the occupational groups identified within manufacturing.

Whereas average movements were similar for all three occupations, the rates differed dramatically for high or low paid members of each occupation. Hence, the average rate of pay for male trades workers in 1995 was $14.99 per hour - an improvement of 56 per cent over the previous decade. The average increase for the poorest paid quartile, however, was only 49 per cent whereas the corresponding increase for the highest paid quartile was 66 per cent. Similar trends were evident for both male and female labourers, especially amongst female labourers. According to this data, as the wages system has decentralised, wages have not risen as quickly for the male unskilled as compared to the male skilled. Of greater significance, the lowest paid in each occupational group have fared significantly worse than their more highly paid colleagues. Decentralisation appears to have delivered increased inequality *within* as well as *between* occupations.

Table 5: Trades and Labourers Working in Manufacturing; Ordinary Time Hourly Earning as at May 1995 and, Movements in Those Earnings 1986 - 1995.

	Mean - ordinary time hourly rate ($)	Quartile Mean - ordinary time hourly rate	
		1st Quartile ($)	4th Quartile ($)
Male Tradesperson	14.99	11.44	18.89
(% change since 1986)	(56%)	(49%)	(66%)
Male Labourer	12.94	10.07	16.21
(% change since 1986)	(52%)	(45%)	(58%)
Female Labourer	11.00	9.07	13.80
(% change since 1986)	(56%)	(43%)	(69%)

Population: Adult employees in the manufacturing industry.

Source: Unpublished ABS data in Buchanan and Watson (1997).

Note: The validity of the data has been cross checked with a number of sources. Time series of overall means have been cross checked with data on key four digit occupations from ABS (1986-1995). The validity of the dispersion data has been cross checked for 1989 and 1993. The 1989 cross check was done using information generated for the 1989 Minimum Rates Adjustment (MRA) process. The survey involved responses from 3,516 metal and engineering establishments. The 1993 cross check was done using unpublished information from the Survey of Training and Education (STE). In both years, the relativities between the quartiles were fairly similar between the different series even though the estimates of the absolute amounts were not identical. These differences in absolute levels arise from different data collection methods and different levels of aggregation used for reporting occupational wage information.

Utilising award-to-market wage ratios, Table 6 compares rates of pay just before and five years after the commencement of institutional reforms to install enterprise bargaining as the primary mechanism of wage determination (1989 & 1996):

In 1989, the fitters award rate was 77.4 per cent of the average market rate. Obviously, the pay rate of many fitters was well above the award minimum. For process workers, the award rate of pay was 87.7 per cent of average market rates, reflecting lower levels of bargaining power and greater reliance on the legally enforced minimum rate. Seven years on, a major divergence was clearly apparent between those with and without agreements. Amongst workers on the C10 rate (e.g. basic fitters), those without agreements still received essentially the same wage relative to the award rate (i.e. 77.4 per cent) but award rates declined dramatically in real terms during this period. More skilled workers on agreements appear to have avoided this outcome because the award rate now only represents about 72.2 per cent of their actual pay rate. The situation for process workers (C13's) has been more dramatic. On average, the award rate was 91.8 per cent of the rate paid for those workers without agreements. This means that not only have award rates fallen, but their earnings relative to the award rate have also fallen, indicating a significant loss in real pay. Once again, however, those on agreements appear to have protected themselves from falling award rates. For C13 workers with agreements, the award rate only represents 77.2 per cent of average earnings, i.e. 10 per centage points lower than the level prevailing before decentralisation of wage determination, indicating a significant improvement in pay relative to those workers without an agreement.

Table 6: Award rates of pay as a proportion of actual rates for key classifications in the Australian Metal and Engineering Industry: 1989 and 1996

	1989	1996 Agreement Workers	1996 Non-agreement Workers	1996 Average Manufacturing Workers
Fitters/C10	77.4	72.2	77.4	
Process Workers/ C13	87.7	77.2	91.8	
Fitters/C10 rate as % of AWOTE in Manufacturing	69.2			57.9

Sources: MRA survey in 1989; telephone survey of key rates for AWMU 1996 living wage case submission; 1996 survey of 441 current metal industry agreements; unpublished ABS data in Buchanan & Watson (1997); award rates from Metal Industry Award.

Wage dispersion appears to have occurred between workers on collective agreements and awards. Wages for non-agreement employees have at best maintained their pre-existing relativity to award standards (e.g. C10 fitters), at worst fallen against pre-existing award standards (e.g. C13 process workers). As award rates themselves have fallen relative to the average rate of ordinary time earnings growth for manufacturing workers, these workers have suffered a significant drop in their relative earnings. Indeed, it appears that agreement employees have generally maintained their standing relative to manufacturing AWOTE (Average Weekly Ordinary Time Earnings) whereas non-agreement employees have fallen behind. Hence, it appears increased dispersion of earnings is due to a fall in earnings growth at the bottom end of the labour market as much as it is due to an increase in earnings growth at the top end of the labour market.

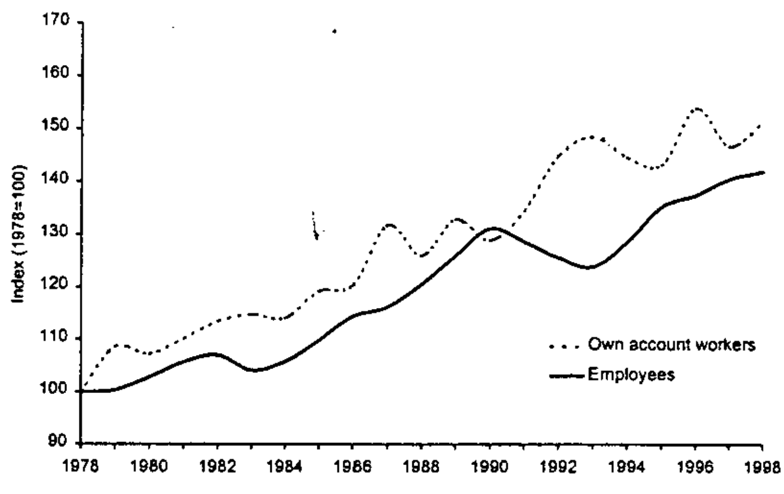
In summary, dispersion in earnings between and within industries and occupations has risen along with the increase in 'average' wage income. The divergence between wage growth for awards and enterprise agreements is a major source of this wage dispersion. Consequently, although the aggregate decline in AWOTE during the 1980s has been reversed during the 1990s, workers at the bottom end of the labour market have not benefited due to growing wage fragmentation and dispersion.

Contractors and High/Low Wage Segments: New Categories for Analysing Contemporary Labour Market Developments

The categories commonly used to describe wage determination need to be further refined. The rapid growth in non-standard employment forms during the 1990's renders the old categories inadequate for tracking earnings growth in the different segments of the labour market. In particular, labour market developments call for the integration of two new categories – contractors and high/low wage employees.

Since the early 1990s, there has been rapid growth in 'own account' workers, as shown in Figure 3.

Figure 3: Growth in Self-employment and Wage and Salary Earners 1978 - 1998



Source: Derived from ABS (1978-1998).

Note: Employment numbers indexed to February 1978

Most of the growth has not been in self-employed or 'independent' contractors but what researchers from the National Institute of Labour Studies (NILS) describe as 'dependent' contractors' (VandenHeuvel & Wooden 1995). Due to a limited or non-existent supply of alternative clients, dependent contractors are as reliant on a single employer for work as is an employee upon an employer for a wage. Although they are not always legally recognised as employees, the status and position of dependent contractors is equivalent to that of wage and salary earners.

In addition to adding this fourth basic category, it is useful to introduce a further distinction between 'high wage' and 'low wage' sectors. A significant proportion of workers in the awards sector also receive overaward payments. Within the collective agreement sector, there are high and low wage sectors. For example, workers in retail and hospitality have consistently received lower average annual wage increases than those in mining, construction and metal manufacturing. Similarly, within the individual contract realm, there are minimalist, low pay agreements settled under the old Victorian and current Western Australian legislation as well as the high salary professional and executive stream of contracts.

Table 7 illustrates the different labour market segments, differentiating between parts of the labour market according to the formal arrangements for wage determination and relative earnings.

Table 7: Different Approaches to Determining Employment Based Earnings, Classified According to Formal Arrangements and Relative Level of Earnings.

		Basis of Earnings			
		Contract of Service			Contract for Service
		Award	Collective Agreements	Individual Contract	
Relative level of Employment Based Earnings	High	Overawards	Certified Agreements (high wage)	Executive/ professional contracts	Independent Contractors
	Low	Safety Net Adjustments	Certified Agreements (low wage)	Minimalist individual contracts	Dependent Contractors

The labour market characteristics of each cell are as follows:

- The over-award workforce includes semi-skilled and trade workers found mainly in small to medium sized metal manufacturing, wholesale trade and cultural and recreational services. Workplaces with no union members are also more likely to pay over-awards.
- The safety net adjustment segment covers low-skilled occupations such as machine operators, labourers, and cleaners in the TCF sector and other manufacturing and clerical workers across a range of industries.
- The high-wage collective agreements are concentrated in mining, construction and parts of metal manufacturing and the public sector.

- The low-wage collective agreements are most common in retail trade, finance and recreational and personal services.
- High paying executive individual contracts cover managerial and professional occupations in the finance and communications sectors and SES officers in the public sector.
- Although information on low-wage individual contracts is difficult to obtain, evidence from earlier Victorian and W.A. agreements suggests they were prominent in the private services sector in low-skill occupations.
- Independent contractors have traditionally been prominent in industries such as construction and road transport. In more recent times, they have emerged in finance, property and business services – especially in managerial and quasi-professional occupations.
- Dependent contractors have been the area of fastest growth in the 1990's, spurred by tax avoidance strategies by employers, and are particularly prominent in construction and more specialised services such as smash repairs.

This framework provides a more realistic set of categories for analysing earnings growth in the highly fragmented labour market of the 1990's.

Labour Market Fragmentation: the Role of Public Policy

Australia has always had high-wage and low-wage sectors. Recent legislative reforms did not create these high and low wage sectors. Indeed, it is likely the proportion of workers in each sector has changed little and the rigidity between high and low-wage sectors remains as intact as ever. The focus on public policy sometimes overlooks the underlying continuities in the labour market and wage structures underpinning the different institutional arrangements. This article concludes by reviewing the impact of legislative reforms which have exacerbated the market-based inequalities arising from labour market segmentation.

The fundamental break with traditional wage-setting practices occurred with the legislative amendments introduced in 1992 and 1993 by the Australian Labor Party. The role of the Commission was reoriented from preventing and settling disputes in the 'public interest' to facilitating and encouraging enterprise bargaining and the maintenance awards as a 'safety net' underpinning enterprise bargaining. As a 'safety net', award rates were designed to be clearly beneath and adjusted separately from enterprise agreements, available only for workers who had not negotiated an enterprise agreement. The new legislation established rights and responsibilities for the parties under a decentralised bargaining regime, particularly in relation to 'good faith bargaining' and industrial action which was now legal under tightly defined circumstances only for bargaining relating to part or all of a single enterprise. The legislation was clearly designed to impose single-employer bargaining as the predominant mechanism for wage determination. As the Australian Industrial Relations Commission noted at the time, these changes were inevitably going to lead to increased inequality:

> The award system that currently exists is arguably based on considerations of equity and the public interest. Any enterprise bargaining system must, of its very nature, lead to differing outcomes (AIRC 1993).

The *Industrial Relations Reform Act (1993)* also introduced a third stream of wage fixation into the institutional framework – non-union collective agreements or 'Enterprise Flexibility Agreements'.

In many ways, the 1996 *Workplace Relations Act* (WRA) builds upon and accelerates the direction of reform initiated by the Labor Government. Australian Workplace Agreements allowing individual contracts were introduced and some of the rights for unions to intervene were stripped away. The provisions on enterprise bargaining were broadly retained, although the AIRC's powers were further diminished, and extra measures to prevent pattern bargaining between enterprises were implemented. The scope of awards and the 'safety net' were further pruned to just 20 'allowable matters.' In these fundamental changes – non-union bargaining, the role of awards and single-employer bargaining – the WRA merely represents another step along the path begun by the Labor Party's legislative reforms.[4]

The policy reforms of Labor and Liberal have had a limited impact on aggregate level indicators but behind these trends there has been a major shift in the relative position of the strong and the weak. While the strong have maintained their standards relative to award minima, the weak have fallen behind. Policy changes have fragmented the low-earning sector so that some receive increases through safety net adjustments to awards, others through minimalist employment contracts or what they can negotiate as contractors. Similarly, those in the high-earning segment are split between a wider range of earnings determination mechanisms - from over-awards to lucrative sub-contracting arrangements. The focus of the policy debate to date has been on issues such as the relative wage outcomes of collective certified agreements versus awards and AWA's. However, for workers in the low-wage segment, the problem is more than simply one of moving from award safety net adjustments to minimalist AWA's. Equally fundamental is the widening differential between the low wage segment – whatever the wage determination mechanism – and the high wage segment. The rigidity between these two segments remains as strong as ever and recent policy changes have merely exacerbated the wage differences between them.

If the WRA has not yet had a profound influence on wage and hours, this may yet change. The major difference between the WRA and Labor's reforms is that the new Act contains a raft of provisions designed to reduce union influence, increase managerial prerogatives and individualise the employment relationship. In late 1998, John Howard defined the restoration of managerial prerogatives as one of his Government's key achievements. As he noted when referring to the protracted dispute at Rio Tinto's Hunter Valley No 1 mine:

> ...if you wanted evidence of how effective our workplace relations reforms have been, you need look no further than the current dispute between the [Coal Miners Union] CFMEU and the Rio Tinto company in the Hunter Valley of New South

4 A similar argument, based upon more detailed analysis, is provided by Rimmer (1997) and Gardner & Palmer (1997).

> Wales. That exercise, that proper attempt by the Rio Tinto company to reclaim the management prerogatives which are taken for granted in other sections of Australian industry, would never have been possible had it not been for the Workplace Relations Act... Because what that dispute in the Hunter Valley is all about is Rio Tinto exercising its right to manage its own business, to run its mines and to operate its business in accordance with ordinary management practices (Howard 1997).

At this stage, the impact of the Act is more ideological and political than economic but the clear intent of the WRA is to further increase managerial prerogatives which will inevitably lead to further fragmentation and inequality.

This trend has both equity and efficiency implications. Recent material on the 'disappearing middle' and the rise of the 'working poor' reveals that poverty is becoming increasing associated with those in work as well as those dependent on transfer payments (Gregory 1996). Analyses of labour market developments in the United States and United Kingdom reveal that fragmentation promotes growth of low-wage, low-productivity employment rather than high-wage, high-productivity jobs (Buchanan & Callus 1993; Mishel *et. al.* 1999). Low wages effectively subsidise inefficiency and reduce the incentive to increase productivity and to shift into higher-value added manufacturing and services – the major growth areas in world trade. The emergence of the 'working poor' and the growth of low-wage employment thus has implications for productivity and export performance.

Addressing fragmentation and its attendant consequences for equity and efficiency will require more than just amendments to the current Act. Instead, it requires adopting a 'whole of labour market' approach that addresses the relationship between strong and weak labour market segments as well as the wage-setting mechanisms within high and low pay sectors. Such an approach means adopting a completely different set of priorities for wages and industrial relations policy - one that gets beyond the preoccupation with flexibility that has been such a straightjacket on policy debates over the past fifteen years and breaks with the rigid trajectory of market-driven fragmentation into which we are now grooved.

Conclusion

In aggregate terms, little has changed on the hours and wages front since the election of the Howard Government. At more disaggregated levels, increasing inequality and allied inefficiency, arising from growing fragmentation in the labour market, are on the rise. This has not primarily arisen from the 1996 amendments: these amendments built on the previous Labor Government's Act. The 1996 *Act* merely further entrenches management prerogatives. It therefore exacerbates trends under way. These trends have been prevalent in traditional union strongholds such as metal manufacturing as well as in more traditionally vulnerable segments of the labour market. Unless Australia breaks with the trajectory of market-driven fragmentation, further wage inequality is inevitable.

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